

Message Text

UNCLASSIFIED

PAGE 01 DACCA 03104 01 OF 02 180453Z
ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-02 AGRE-00 IO-14 /121 W
-----009223 180528Z /20

R 170424Z MAY 78
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 9334

UNCLAS SECTION 1 OF 2 DACCA 3104

PASS USDA

PASS AID/ASIA/BIS

E.O. 11652: N/A
TAGS: EGEN, PDEV, BG
SUBJ: BDG PRESENTATION TO DONORS ON TWO-YEAR PLAN

1. SUMMARY: AT A PRESENTATION TO DONORS MAY 11 ON BANGLADESH'S DRAFT TWO-YEAR PLAN (TYP) FOR FISCAL YEARS 1979 AND 1980, BDG PLANNING OFFICIALS DESCRIBED THE TYP AS AN INTERIM PROGRAM FOR COMPLETING OLD PROJECTS AND STRENGTHENING ECONOMIC MACHINERY IN PREPARATION FOR A NEW FIVE-YEAR PLAN BEGINNING IN FY 81. TYP'S INTERIM STRATEGY ENVISAGES NO MAJOR POLICY CHANGES SINCE GOVERNMENT DOES NOT YET HAVE A POLITICAL MANDATE FOR THIS AND BECAUSE OF THE NEED FOR FURTHER EXPERIENCE AND CONSOLIDATION. IN A LENGTHY CRITIQUE OF TYP, WORLD BANK REPRESENTATIVE CHALLENGED ITS GROWTH AND DOMESTIC RESOURCE MOBILIZATION TARGETS AS UNREALISTIC, QUESTIONED ADEQUACY OF RESOURCES FOR RURAL DEVELOPMENT AND RECOMMENDED A MORE SPECIFIC, ACTION-ORIENTED PLANNING STRATEGY. IMF REPRESENTATIVE ENDORSED TYP TARGETS BUT CALLED FOR A MORE DETAILED IMPLEMENTATION STRATEGY AND BETTER RESOURCE MOBILIZATION, STRESSING NEED FOR ELIMINATION OF FER-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 03104 01 OF 02 180453Z

TILIZER AND OTHER SUBSIDIES. SIGNIFICANT PORTIONS OF BDG, WORLD BANK AND IMF REMARKS FOLLOW. MISSION SUMMARY OF TYP WILL BE REPORTED BY SEPTEL. END SUMMARY.

2. IN INTRODUCTORY REMARKS ON TYP, PLANNING ADVISER HUDA EXPLAINED THAT BANGLADESH IS STILL NOT READY FOR A SECOND FIVE-YEAR PLAN. IT HAS INSUFFICIENT EXPERIENCE

WITH NEW ECONOMIC POLICIES UNDERTAKEN IN 1976 FOLLOWING THE FAILURE OF THE FIRST FIVE-YEAR PLAN (1973-78). ALSO, A MORE AMBITIOUS PLAN IS NOT POSSIBLE UNTIL THE POLITICAL EVOLUTION NOW UNDERWAY ENABLES THE PUBLIC TO EXPRESS ITSELF ON SUCH BASIC POLICIES AS PUBLIC ENTERPRISES, LAND REFORM AND EDUCATION WHICH WILL BE ADDRESSED IN A NEW FIVE-YEAR PLAN BEGINNING IN FY 81.

3. HUDA SAID TYP'S MAJOR EMPHASIS IS ON RURAL DEVELOPMENT AND AGRICULTURE. ALTHOUGH ONLY 25 PERCENT OF TYP RESOURCES ARE ALLOCATED TO AGRICULTURE, WATER RESOURCES AND RURAL INSTITUTIONS, COMPARED TO 22 PERCENT FOR INDUSTRY AND 18 PERCENT FOR TRANSPORTATION AND COMMUNICATIONS, MANY INVESTMENTS IN NON-AGRICULTURAL SECTORS -- E.G. THE JUTE INDUSTRY -- ARE LINKED TO A RURAL DEVELOPMENT STRATEGY.

4. HUDA ACKNOWLEDGED THAT TYP OBJECTIVES ARE AMBITIOUS BUT CLAIMED THEY ARE ACHIEVABLE. TO INCREASE DOMESTIC RESOURCES, HE SAID, GOVERNMENT WILL CONTINUE TO IMPROVE TAX ADMINISTRATION AND BROADEN THE TAX BASE BUT A RAPID INCREASE IN COLLECTION OF DIRECT TAXES SHOULD NOT BE EXPECTED. IN THE AREA OF PRICE POLICY, HE SAID, THE GOVERNMENT WILL CONTINUE TO INTERVENE IF NECESSARY TO CONTROL PRICES OF FOOD, TEXTILES, EDIBLE OIL, KEROSENE AND CEMENT; OTHER PRICES WILL BE ALLOWED TO RISE TO REALISTIC LEVELS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 DACCA 03104 01 OF 02 180453Z

54 PLANNING COMMISSION MEMBER ABDULLAH FAROOQ REVIEWED PREVIOUS BDG PLANNING EFFORTS AS BACKDROP TO THE TYP AND COMMENTED ON TYP AS FOLLOWS. BANGLADESH ACHIEVED ONLY 49 PERCENT OF PROPOSED EXPENDITURES UNDER THE FIRST FIVE-YEAR PLAN; PRICES ROSE SHARPLY, RESOURCES COULD NOT BE MOBILIZED AND FOOD PRODUCTION DROPPED IN 1973-74. THE GOVERNMENT THEN UNDERTOOK A MORE REALISTIC, "HARD CORE" PROGRAM FOR THE PERIOD 1975-77. BY 1977 IT HAD SUCCEEDED IN RESTORING SOME ECONOMIC ORDER AND RENEWAL OF GROWTH. GOVERNMENT PLANNERS LEARNED MUCH FROM THIS EXPERIENCE AND ARE NOW MORE SELF-CONFIDENT. HOWEVER MORE EXPERIMENTATION AND COMPLETION OF ONGOING PROJECTS ARE NECESSARY BEFORE A REALISTIC SECOND FIVE-YEAR PLAN CAN BE UNDERTAKEN, IN THE MEANTIME, TYP EMPHASIS IS ON GETTING BETTER PERFORMANCE FROM EXISTING POLICIES AND MACHINERY.

6. R. AGARWALA, WORLD BANK MISSION ECONOMIST, DELIVERED A LENGTHY CRITIQUE OF TYP, MAKING THE FOLLOWING POINTS:

A. MANY TYP GOALS ARE UNREALISTIC AND STRAIN CREDI-

BILITY. FOR EXAMPLE, PROJECTED DKCREASE IN BIRTH RATE
BY 3/1000, INCREASE IN EMPLOYMENT OF 2.3 MILLION MAN
YEARS AND INCREASE IN SAVINGS FROM 2.7 PERCENT TO 5.6
PERCENT OF GDP ARE UNREALISTIC, ESPECIALLY SINCE THEY
DO NOT APPEAR TO BE LINKED TO SPECIFIC PROGRAMS OR
RECOMMENDATIONS. EXPENDITURE TARGETS ARE TOO HIGH IN
RELATION TO RESOURCES AVAILABLE, ESPECIALLY IF EXPRESSED
IN CONSTANT PRICES. (BDG OFFICIALS LATER CONFIRMED THAT ALL
PRICES WERE IN CONSTANT 1977 TAKAS). OVERALL DOMESTIC RESOURCE
MOBILIZATION TARGETS WILL BE DIFFICULT TO ACHIEVE, ESPECIALLY
IN VIEW OF ANTICIPATED HIGHER SALARIES FOR PUBLIC SERVANTS AND
GROWING SUBSIDIES FOR FOOD, FERTILIZER AND OTHER COMMODITIES.
ALTHOUGH TYP SAYS FOOD SUBSIDIES WILL BE REDUCED, THIS POLICY
MAY NOT BE CONSISTENT WITH THE RECENT TREND TOWARD INCREASED
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 DACCA 03104 01 OF 02 180453Z

RATION OFFTAKES.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 DACCA 03104 02 OF 02 190659Z
ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-02 AGRE-00 IO-14 /121 W
-----032469 190705Z /11/20

R 170424Z MAY 78
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 9335

UNCLAS SECTION 2 OF 2 DACCA 3104

CORRECTED COPY (TEXT)

PASS USDA

PASS AID/ASIA/BIS

B. TYP'S ALLOCATION OF ONLY 25 PERCENT OF RESOURCES TO
AGRICULTURE AND RURAL DEVELOPMENT IS LESS THAN 30 PERCENT ALLO-

CATED UNDER THE 1975-77 "HARD CORE" PROGRAM AND LOWER THAN ALLOCATION FOR THE FOURTH FIVE-YEAR PLAN OF THE PAKISTAN ERA. THIS SEEMS INCONSISTENT WITH THE TYP'S "RHETORIC" ABOUT PRIORITY FOR RURAL DEVELOPMENT. THE ALLOCATION FOR PRIMARY EDUCATION -- 13 PERCENT OF THE EDUCATIONAL BUDGET VERSUS 18 PERCENT UNDER THE FIRST FIVE-YEAR PLAN -- IS ALSO DISAPPOINTING.

C. THE TYP IS TOO GENERAL AND LACKS SPECIFIC IMPLEMENTATION STRATEGIES. TOO OFTEN IT RECOMMENDS WHAT OUGHT TO BE DONE RATHER THAN WHAT WILL BE DONE AND HOW. TO MAKE THE TYP MORE OF A TRUE PLANNING DOCUMENT THE BDG SHOULD PREPARE POLICY PAPERS AND PLANNING TASK FORCES WITH TERMS OF REFERENCE AND TIMETABLES FOR PREPARING CONCRETE IMPLEMENTATION PROGRAMS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 03104 02 OF 02 190659Z

D. MORE ATTENTION SHOULD BE PLACED ON IMPROVING THE GOVERNMENT'S WEAK STATISTICAL BASE. CURRENT BUDGET CLASSIFICATIONS ARE INADEQUATE; FMR EXAMPLE, THEY TEND TO CONCEAL SUBSIDIES. ALSO THERE IS TOO LITTLE ANALYSIS OF ECONOMIC LINKAGES BETWEEN SECTORS DESCRIBED IN THE TYP.

7. IMF REPRESENTATIVE KEMAL SIBER DISAGREED WITH WORLD BANK THAT TYP GOALS COULD NOT BE ACHIEVED. HOWEVER HE AGREED WITH THE BANK THAT TYP SHOULD SPELL OUT MORE CLEARLY SPECIFIC MEASURES FOR IMPLEMENTING TYP PROGRAMS. HE ALSO URGED INCREASED DOMESTIC RESOURCE MOBILIZATION RATHER THAN CUTS IN EXPENDITURES TO DEAL WITH PROJECTED TK. 261 CRORE RESMURCE GAP. HE SAID IMF BELIEVES ELIMINATION OF SUBSIDIES FOR FOOD, FUEL AND ESPECIALLY THE LARGE FERTILIZER SUBSIDY ARE URGENTLY NEEDED TO BOOST RESOURCE MOBILIZATION, AND RATIONALIZATION OF PRICING BY STATE INDUSTRIES IS ALSO REQUIRED. HE SAID THE BDG HAS MADE PROGRESS DURING THE PAST TWO YEARS IN CREDIT, BUDGET, TAX, BALANCE OF PAYMENTS AND FOOD POLICY AREAS BUT THAT THESE ACHIEVEMENTS SHOULD BE FURTHER STRENGTHENED. QIM IN RESPONSE TO WORLD BANK AND IMF COMMENTS AND CRITICISMS, BDG PLANNING OFFICIALS MADE FOLLOWING POINTS. TYP IS STILL IN DRAFT FORM AND THESE VIEWS WOULD BE TAKEN INTO ACCOUNT. TYP WAS PREPARED IN ONLY SIX MONTHS AND PLANNING COMMISSION LACKED THE RESOURCES AND EXPERIENCE FOR A MORE AMBITIOUS EFFORT. ALTHOUGH GROWTH FIGURES SEEM HIGH, THE NEED TO ACHIEVE THEM IS GREAT AND THE RATE OF PROGRESS IN THE PAST TWO YEARS JUSTIFIES HOPE THAT GOALS CAN BE MET. PLANNING COMMISSION IS ONLY AN ADVISORY BODY AND LACKS AUTHORITY TO IMPOSE MORE COMPREHENSIVE AND SPECIFIC MEASURES URGED BY THE WORLD BANK

AND IMF SUCH AS DRASTIC ELEIMINATION OF SUBSIDIES. MORE-
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 DACCA 03104 02 OF 02 190659Z

OVER IT LACKS CONTROL OVER THE PRIVATE SECTOR WHICH
REPRESENTS A SIGNIFICANT PORTION OF THE BANGLADESH
ECONOMY AND, MORE IMPORTANT, EXTERNAL RESMURCES WHICH
ARE CONTROLLED BY DONORS. FINALLY, SINCE A NEW GOVERN-
MENT WILL BE FORMED AFTER NATIONAL ELECTIONS THIS YEAR,
MAJOR NEW ECONOMIC INITIATIVES AT THIS TIME WOULD BE
PREMATURE.
SCHNEIDER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DACCA03104
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780208-1090
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780551/aaaabqj.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f72a3e9c-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2670015
Secure: OPEN
Status: NATIVE
Subject: BDG PRESENTATION TO DONORS ON TWO-YEAR PLAN
TAGS: EGEN, PDEV, BG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f72a3e9c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014